

very appropriate that we have the current chaplain of the American Legion in this great country of ours to stand before us and ask for blessings upon all Members of this body as well as the other leadership from a civilian standpoint as well as a military standpoint.

Reverend Foss is a terrific individual. I happened to be with him last week in Kings Bay, GA, which is the home of a submarine fleet. We had the USS *Georgia*, which is a converted nuclear submarine, return to Kings Bay, where it is going to be stationed now. We had a very great ceremony on Friday of last week at Kings Bay, and Reverend Foss was very much involved in the planning for that ceremony.

So I say to him, thanks for coming and for extending that great blessing to us, and congratulations on serving as the national chaplain of the American Legion.

With that, Mr. President, I yield back.

The ACTING PRESIDENT *pro tempore*. The Senator from Missouri.

HOUSING CRISIS

Mr. BOND. Mr. President, as I think we all know, far too many families in America are seeing the American dream of owning their own home slip away.

Over the Easter break, I toured the State of Missouri. In every community around the State I met with people who are struggling under the threat of foreclosure, neighborhood groups concerned about the impact of foreclosure on their families and on their communities, mayors, city council leaders who are seeing their communities threatened seriously by this spate of subprime foreclosures, and most of all mothers and fathers with children who are facing the loss of their home.

I did not talk with speculators, investors, or the folks on Wall Street, but the people I talked to did have a number of thoughts—thoughts they believe would help them keep the promise of keeping their home. They did not want a Federal bailout. But they were looking for ways to make the system work for them.

Some of the suggestions they made were at the macro level and, among others, they said there ought to be regulation—probably Federal regulation—of those who originate mortgages. Now, many of the bricks-and-mortar lending institutions—banks, and savings and loans in the community—are regulated, but there are many mortgages, subprime mortgages, that were sold over the Internet and by fax. Whenever I go home, my fax machine is filled with 1 percent mortgage teaser rates.

They also want to see HUD be able to move more quickly in getting the FHA secured loans. That is a good idea—to go in and to help homeowners whose mortgages have reset and caused them to lose their homes—but it is too narrow. They think that ought to be reformed.

I believe that through FHA, we, as taxpayers, should not be put at risk by insuring loans where there is zero downpayment. Regrettably, zero downpayment too often means the homeowner can't afford that mortgage and they walk away. The often cited program, the Nehemiah Program, which provides charitable contributions to take care of the downpayment requirements, has an appalling 30 percent default rate. That is a raid on the Federal Treasury. We ought not to be doing that. Before people make a loan, they ought to have counseling and education to make sure their finances, their income will support the mortgage payments.

Also, when you buy a home, you might have to support the replacement of a furnace that blows or a leaky roof, things that renters don't have to pay. If they can't afford to buy a home, we want to see them in a good home that could be a rental home.

But the most important thing they said we could do now is provide counseling, to bring together those homeowners whose homes are in foreclosure or who are facing foreclosure, to sit down with the lenders and see if they can work out an agreement before they go to foreclosure. Everybody says: Well, what interest does a lender have in avoiding foreclosure? Well, foreclosures are expensive. They drive down the value of the property and potentially put at risk the value behind other mortgages they may own in the same community.

Last fall, Senator DODD and I agreed to include \$180 million in the Housing and Urban Development Appropriations bill to begin counseling. The first \$130 million has gone out. We are beginning to see the results of that. Those counseling dollars can help homeowners, if they will go to a counseling entity such as The United Way or local governments to get counseling, before they wind up on the courthouse steps.

In addition, there need to be dollars available to buy down mortgages where the mortgage rates have skyrocketed because of the subprime crisis. That is why, in the SAFE Act which I have introduced with my colleagues—the Security Against Foreclosure and Education Act—we make sure there is money available through the State Housing Finance agencies. I know well the Housing Finance Agency in Missouri—the Missouri Housing Development Corporation—and they have a great plan. If they can have more money, maybe \$160 million to \$180 million, possibly \$200 million in Missouri, they could go in and buy out mortgages where the private mortgage holder has had to increase substantially the rate because of the overall market conditions. If these HFAs can sell paper, tax-exempt paper, they can bring back the mortgage rates to the level that was affordable initially.

It is very important for fixed-income homeowners to count on a certain

mortgage payment. Some have seen it go up 50 percent, and too many of them are being forced to the choice of walking away because they can't meet it. We need to get HFAs to have the ability to go in and refinance those mortgages.

In addition, with Senator ISAKSON, we have included in the SAFE Act a measure to provide a tax credit for families willing to buy a home in foreclosure or going into foreclosure. In other words, it would be a \$5,000 tax credit for each of 3 years for families who would move into one of these homes either in foreclosure or facing foreclosure. That not only gives a boost to first-time home buyers, but the most important thing it can do for communities is avoid the problem of having a community with 20 percent of the homes in foreclosure.

This isn't a problem for just the 20 percent of the families who are facing foreclosure; that is a potential disaster for the other 80 percent of the homeowners because what it does to the value of their homes and to the value of every house in that community is to drive the values down significantly, so they may find their home is worth less than the value of the mortgage.

Finally, we want loan transparency. As a former lawyer, I have had the dubious pleasure of going through home purchasing documents several times recently. They give you a stack of paper this high that has all been written by lawyers, God bless them, and it has every contingency spelled out. But most people who go through the purchase process spend 40 minutes signing the papers without knowing what is in them. What we want is a very simple disclosure on top, which is binding on the lender and on the borrower, that says what the rate will be, if it is adjustable, how high it can adjust, when it can adjust, if there is a prepayment penalty, and what are the other terms that might cause significant economic distress to the home buyer. They need to know that in advance. Also, there ought to be counseling to help those prospective home buyers measure their financial ability, their ability, through their income, to buy a home and to make sure they can afford the mortgage they are seeking.

I hope this is the basis on which almost all of us in this body can agree. We have heard a lot about what is going on at the macro level. There are important things happening with the Fannie Mae and the Freddie Mac, such as getting \$200 billion more that they can loan, and the Federal Reserve moving in. All these things are important on a large national scale.

This is not only, however, a national and international problem; most of all, it is a community problem. The proposals we have set forth in the SAFE Act are designed to help build up from the community level the solutions we need for home buyers and homeowners, particularly those threatened with foreclosure. We are only going to solve

this problem if we work community by community. The SAFE Act is designed to help homeowners, counselors, and local government officials deal with the problem in their communities and build, community by community nationwide, the solutions to the problem that affects not just homeowners but affects our entire country.

I invite our colleagues to look at this legislation. I hope we can discuss it, as our leader has said, and come to agreement on some things we can pass, and pass right now, because too many homeowners are facing a crisis and need help.

I thank the Chair and I yield the floor.

The ACTING PRESIDENT pro tempore. The Senator from Florida is recognized.

Mr. MARTINEZ. Mr. President, I thank the Senator from Missouri for his words. I was reminiscing, as I was listening to him, about my work as the HUD Secretary, and many times getting good counsel and advice from my main appropriator, a man who knows a great deal about this whole problem and about this issue, and I thank him for his comments. I think he is exactly right when discussing how the problem we are seeing today is hurting families.

When I had the good fortune to be at HUD, it was in the good times. We were talking about ever-increasing rates of home ownership, particularly among minority families; more and more people getting into home ownership. It was a good thing because as we were doing that, we were building communities. Streets were getting stronger and families were getting stronger and cities and communities were getting stronger. Now we are seeing the reverse of that. That is why it is so important to take the steps the Senator from Missouri suggested and to move forward aggressively on this problem.

Let me talk a little bit about what I saw in Florida during the last few days when I was there. I think in Florida it is a microcosm of the problem. The state of the market is one in which we see increasingly, at the level of the homeowner, that people are more and more distressed and more and more in trouble about holding onto the home they have. You drive around and see signs about a foreclosed home for sale. In addition to that, you know people are having a problem making ends meet.

The second situation related to that is the fact that many people are now staying away from the market. They are simply not buying homes. The reason for that is there is a sense of insecurity about where we are today in this very difficult moment. So as a result, we find that homes are not being purchased. This is having an impact on market prices, where home prices are in a decline and fewer and fewer buyers are in the marketplace. As a result of all these things, there have been significant economic impacts on the State of Florida. So what begins as a problem

for a family—and a significant problem, a heartbreaking problem—becomes a compounding problem when it impacts the entire economy of a State such as Florida.

The State of Florida is greatly dependent on homebuilding for its economy, and that is a fact. When speaking these past few days to people in the industry, I am hearing from homebuilders who are saying: I have had to lay people off. I had to lay off substantial numbers of the workforce. Large homebuilders have laid off hundreds and hundreds of people. The impact on the economy is significant.

So the Florida situation is somewhat revealing of what is happening across the country, which is why I come back here more determined than ever that we have to act; that this is a time for the Congress to take strong and significant action to try to have an impact on what is a deteriorating situation.

Everybody keeps talking about whether we have hit bottom or when the housing market is going to hit bottom. Well, I am not sure if we have hit bottom yet. I hope we have, and I hope we are beginning the situation of ascending back. But the bottom line is we have to act, and there are things we can do in certain areas where we must act.

I suggest we act in three areas. One is the area that impacts the homeowners themselves. That is what Senator BOND was talking about: About home counseling, about getting people help, about workouts. The fact is, it is in the best interests of a financial institution to work out a loan with a hurting homeowner rather than to turn that into foreclosure. Nobody wants to have a foreclosed home on their inventory; what they want is the homeowner continuing to make their payments.

We have to work on housing counseling. We also have to do FHA modernization. I see the Senator from Connecticut, my chairman. We have worked hard to get FHA done. We have to get that done. That is going to help families by making the FHA a more active player in this current marketplace. It is going to bring FHA into play by allowing them to do larger loans, by allowing them to be more flexible in the loans they do.

FHASecure is a good first step. We need more flexibility in FHASecure. We need to make sure families who have already gotten in trouble but who are not desperate yet—who have not gotten yet to foreclosure but who have gotten behind—are able to utilize FHASecure. Why do we do that? Because it will allow families to get into an FHA mortgage that will allow them to be in a mortgage they can carry and keep out of trouble.

We need to stabilize values. We need to make sure the decline in home values stops, because as that happens, the equity in homes continues to decline, and that is not good for the economy as a whole.

How can we help with these ideas? One I like a lot is Senator ISAKSON's

idea to provide a tax credit to try to lower the inventory of unoccupied homes. If these homes are unoccupied, as has happened in Florida—many were built that are today not being bought. We need to get the market going again. We need to get people back into buying homes. We need to make sure they have an opportunity to do so. The encouragement of a tax credit I think will go a long way toward doing that.

A second related problem is liquidity. I have talked to homebuilders who are telling me they have some buyers who cannot find loans. Banks are not lending money. Money has tightened. So as money has tightened, we need to provide those things which will create more liquidity in the marketplace. Which is why I am fearful that cramming down mortgages is not a good idea; in fact, it will work against providing more liquidity.

I also wish to look at the long-term effects. There is a need for regulatory reform. I have talked about the regulation of the government-sponsored enterprises Fannie Mae and Freddie Mac home loan banks.

We need a stronger, more effective regulator. I have been preaching this since I was at HUD. This is an important concept. We have increased loan limits and lowered capital requirements to 20 percent. As we have done that, it is necessary that we look at a stronger regulator. The rules today are not up to par for what we need. These are trillion dollar companies of incredible importance that will play a significant role in getting us out of the market dilemma we are in. In order for them to be stronger and for them to have the kind of investor confidence they must have, I think a stronger regulator would be a great step forward.

I commend the Secretary of the Treasury for the proposal he made on a broader regulatory scheme for our financial world. I think some of these ideas that are also being discussed in Congress are important. We need to consider them and many need to be adopted. They may be on a second tier.

I am looking at more immediate things we can do to prop up the housing market and look forward in that regard. I want to touch on the importance of working in a bipartisan fashion. Chairman DODD and I have had conversations. It is important we work together and come together with something that will help the American people. The people of Florida desperately need help. This is a problem not only relating to the end consumer, the homeowner—the family who tasted that dream of home ownership and got into a loan and is now seeing the nightmare of losing it—but also to those people who have lost a job or are fearful of losing one.

The economy depends so much on housing. That is what we need to address. I hope we will come to some understanding of how to move forward in a bipartisan fashion and work toward a solution that will help the American

people get back to the strong, vibrant economy we have known in recent years, and also continue to grow that dream of homeownership for more and more American families.

I thank the Chair and yield the floor. The PRESIDING OFFICER (Mr. TESTER). The Senator from Connecticut is recognized.

HOUSING CRISIS

Mr. DODD. Mr. President, I say amen to my colleague from Florida. I didn't hear everything he said; I missed the opening few sentences, but I think I heard about 99 percent of his comments. We have had good conversations privately over the last number of days. What the Senator from Florida probably didn't tell you is that in a previous life he was the Secretary of Housing and Urban Development, the person responsible for a lot of the housing issues in the country. Prior to that, he was involved in the State of Florida in housing issues. He has had a wonderful record of caring deeply about homeownership for those who would not have had the opportunity to acquire homes. So there is a history in his private life, as well as public life, as well as understanding and caring about these issues.

The last point the Senator made is the one I will address as well. This is not a time for partisan politics. We need to get the job done and start working on this immediately. We should have been at this weeks ago, in my view. There is nothing I can do about that, but there is something we can do about this today. I hope that in the coming hours we will do just that. No other issue is as important as this one.

The Senator from Florida outlined in a broad way some of the very issues that need to be addressed. I agree with him and I thank him for his commitment to this and his willingness to see if we can pull together a package, and it may not solve every problem.

I was talking earlier to some folks, saying that the word missing is "confidence"—the confidence of that family in Florida, the confidence of the investment banker, the confidence of the person involved in the equity markets globally—the word "confidence." How do we restore that and give people a sense of confidence about where we are going.

While I want to be careful about drawing too tight comparisons there is a key period that history has written volumes about, from March of 1933 to June of 1933—the first 100 days of the Roosevelt administration—and there was nothing orderly about it. It was rather chaotic. During the Roosevelt administration, in the midst of a major economic crisis, on the very day of his inaugural, banks were closing their doors all across the country. We think of that line: "There is nothing to fear but fear itself." That administration was trying everything they could to re-

store confidence. While a lot of their ideas didn't work, or were ill-conceived in some cases, there was a sense in the country that their Government was working on their problems, that the people in charge were trying to make a difference in their lives.

We are not in a great depression, we are in a recession. We could end up in a very similar set of circumstances if we don't begin to act. The American people want to know we are acting, that we understand what they are going through, and that their Government, the legislative and executive branch, is worried about them and doing their best to make a difference in their lives. That is what this is all about.

This morning I want to lay out, if I can, as chairman of the Banking Committee, what we are doing and trying to get done. I hope in this pivotal week we can make a difference in stepping forward. I thank Senator KIT BOND of Missouri. He and I have worked together on so many issues over the last number of years. We worked together on The Family and Medical Leave Act many years ago, and recently we coauthored the \$180 million of counseling dollars to assist families who got themselves into a bad deal—whether it was their fault or the fault of a broker. We are trying to work that out so they can stay in their homes. That has made a huge difference. I thank Senator BOND for his understanding of this very early on, and for the importance of that significant step. He has pointed out—and I agree—this issue is no longer just a housing issue, a foreclosure issue. You only need to pick up this morning's business section to read this headline: "Worst Quarter for Stocks Since '02." The first paragraph says:

U.S. stocks ended the first quarter with the steepest loss in nearly six years as turmoil in the financial markets showed increasing signs of spilling over into the wider economy and debate turned from whether a recession was coming to how deep it would be.

That is a very accurate statement. This is spilling over. The contagion is no longer limited to housing and foreclosures. It is spilling over into every aspect of our economy, spilling over the shores of our country and having global implications. The time is now to come together and make a difference on this issue.

About a month ago, Majority Leader REID brought a bill to the floor, the Foreclosure Prevention Act. Unfortunately, progress on the bill was blocked and we were unable to even debate the bill, let alone vote on it. Since then, the challenges facing American homeowners have only grown worse. In the month of February alone, 223,651 more Americans entered foreclosure, according to RealtyTrac, a company that collects real estate-related data in the country. That amounts to 7,712 foreclosures on a daily basis—over 7,700 today, yesterday, and tomorrow. That is roughly 8,000 people who will be in

the process of losing their homes in America—8,000 people every single day—unless we act to do something about it. We gathered to listen to people, who managed to get together over the weekend, on the Bear Stearns-JPMorgan deal, where \$29 billion of taxpayer money will go to that deal with that issue. I would like to know there is as much concern about these ordinary people as there is about the shareholders in Bear Stearns. I feel badly that they lost a lot of money, but they are not losing their homes. These people—almost 8,000 every day—are.

So I am going to come to the floor every single day and recite the number on a daily basis of people losing their homes, until we do what I think we ought to do to step up to the plate and make a difference for them. If that foreclosure rate continues—and all indications are that it is actually increasing—almost 240,000 more Americans will have been foreclosed on during the month of March. UBS reports that foreclosures of this magnitude are on par with the severity of foreclosures during the Great Depression.

These foreclosure rates are not simply high in relative terms; they are at record levels, according to the Mortgage Bankers Association. The Mortgage Bankers data shows that more than 1 in every 50 homes with a mortgage in this country is in foreclosure. Foreclosure rates have been growing at record levels for some time, unfortunately.

Foreclosures are increasing because people are continuing to struggle to make their payments. The data tells us that 1 in every 13 homes with a mortgage has fallen behind on their mortgage. Every day that goes by without action means more families are losing their homes.

Compounding the problem, nationally, home prices continue to fall. Home prices are down over 10 percent nationwide over the past 12 months, and they continue to fall. This is the first time we have experienced such a deep and widespread decline—a national decline—in home prices since the Great Depression.

Merrill Lynch is predicting that home prices will fall by 15 percent this year and another 10 percent next year. It is quite possible that over the past month, since the Senate last debated this issue, an American who owns a \$200,000 home has seen the value of that home fall by \$5,000 in 1 month. I will repeat that. If you have a home worth \$200,000, in the last month that home has lost \$5,000 in value and may do that every month for the coming months. That is \$5,000 of wealth that American families have lost while we in this body have been waiting to even discuss potential legislation to address these problems.

While we have waited, our country lost more jobs as well. We learned in the month of February that the American economy lost over 100,000 private